

## NEW APPLICATION

## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman  
BOYD DUNN  
SANDRA D. KENNEDY  
JUSTIN OLSON  
LEA MÁRQUEZ PETERSON

In the matter of:

DONALD HARRIS and JANE DOE  
HARRIS, husband and wife, and

DON'S PAINTER STUFF, LLC, an Arizona  
limited liability company,

Respondents.

DOCKET NO. S-21127A-20-0313

**TEMPORARY ORDER TO CEASE AND  
DESIST AND NOTICE OF  
OPPORTUNITY FOR HEARING**

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY****EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING****EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Donald Harris and Don's Painter Stuff, LLC, are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act") and that the public welfare requires immediate action.

The Division also alleges that Donald Harris is a person controlling Don's Painter Stuff, LLC, within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Don's Painter Stuff, LLC for its violations of the antifraud provisions of the Securities Act.

**I.****JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II.**

**RESPONDENTS**

2. Donald Harris ("Harris") was at all relevant times a resident of the state of Arizona. Jane Doe Harris was at all relevant times the spouse of Respondent Donald Harris. Jane Doe Harris is joined in this action under A.R.S. §44-2031(C).

3. Don's Painter Stuff, LLC, ("Don's Painter Stuff") is a limited liability company organized under the laws of the state of Arizona on or around March 14, 2013. Don's Painter Stuff is a member-managed company and Don L Harris is the sole member.

4. Harris and Don's Painter Stuff may be referred to collectively as "Respondents."

5. At all relevant times, Harris and Jane Doe Harris were acting for their own benefit and on behalf of and for the benefit of the marital community.

**III.**

**FACTS**

6. Respondents posted at least two advertisements, one on August 29, 2020 and one on October 6, 2020, on craigslist.com, an online classifieds website. The advertisements were posted in Phoenix-area pages and related to an investment opportunity. As of October 8, 2020, Respondents have at least one active advertisement listed on Craigslist.

7. On or around August 29, 2020, Respondents published an advertisement titled "LOOKING FOR A SMART INVESTOR" on Craigslist in the Phoenix area under the Financial Services category.

8. The Craigslist advertisement stated, in part:

a) "...\$75,000 gets you 10% of the \$7,462,517.20 in profits for the FIRST orders..."

b) "We will get a minimum of 7 million dollars in purchase orders every Two Months or less to start. You can join me as a full active partner or just sit back and wait for the monthly checks to come in."

1 c) "I have 7 new inventions and have filed Patent Pending on two of them. . ."

2 d) "First of many ULTRA HIGH Returns On Investment. . . I am looking for  
3 an Investor or Investors. I am Not looking for a Private Lender."

4 9. On September 3, 2020, an Arizona resident ("Offeree") responded to the Craigslist  
5 advertisement via email. The email stated in part "I saw your add [sic] and was interested in learning  
6 more." Four minutes later, Harris replied "I can send you my Business Plan but please reply to my  
7 primary email at donspainterstuff@gmail.com."

8 10. On September 8, 2020, Offeree again sent an inquiry to donspainterstuff@gmail.com.  
9 Ten minutes later, Harris responded and attached a 14-page document Harris identified as his  
10 "Business Plan."

11 11. Offeree responded, asking where his company was located, the investment amount  
12 Harris was seeking, how long it would take for a return, and if Harris had any investment paperwork.  
13 Harris responded "I live in Northern AZ. But once Funded, I plan to move the Company to Mesa  
14 AZ. . . . I'm looking for an Investor Partner of \$40,000.00 for 10% and a Main Investor of one million  
15 for 35%. . . . The first returns would be within two months after the product is Shelf Ready. . . . I  
16 have no investment paperwork because I have no Investors yet."

17 12. Offeree responded and asked Harris if he invested \$40,000, how he should send the  
18 money. Harris responded "Venmo or Zelle or direct deposit into my Bank."

19 13. On September 10, 2020, Harris emailed Offeree and asked "Are you looking to be an  
20 Active or Silent Partner in the Business? The reason I ask is, if you want to have a passive roll then  
21 I can set that up with the Accountant and show you as a passive Investor instead of a Partner." Offeree  
22 responded "A passive roll [sic] would be my preference. A lot of this is new to me so I think a passive  
23 roll [sic] would be the best route."

24 14. On September 29, 2020, Respondent sent Offeree an email and attached a 2-page  
25 document titled "Itinerary after Funding" outlining Respondent's two-month plan to fill orders of  
26 Respondents' product.

1           15.     Respondents' Business Plan emailed to Offeree on September 8, 2020, states in part:

2               a)     "My first two products we will be launching are called The Tape Things they  
3 work with masking tape in construction."

4               b)     "It will be a seven to ten-million-dollar a month profit Company with just the  
5 first two tools."

6               c)     "The finished products will be ready for the shelf less than two months after  
7 funding."

8               d)     "Exit Strategy: None anticipated. If it comes to that, we will consider sell or  
9 buy out, or a Licensing deal."

10              e)     "I found that my tools would sell. In an overwhelming 100% 'yes' from over  
11 75 people, that included clerks in the stores and construction crews on the job."

12              f)     "Even though I've only done Research in 7 western states, it concluded with  
13 a 100% positive response."

14           16.     Respondents' Business Plan contains a section labeled "PROFIT AND LOSS" that  
15 contains Respondents' anticipated profits "based on outlets and projected purchases." Respondent  
16 calculated these projections by taking 12 hardware and auto parts franchises, such as Home Depot,  
17 Lowe's, and Auto Zone, and calculating the total number of stores in the United States for each  
18 franchise. Respondent assumed each store in the United States would order 2 cases of the product,  
19 with each case costing \$84.00. Using these numbers, Respondents calculated \$9,989,388 total profit,  
20 \$2,526,970.80 in total expenses and a total net profit of \$7,462,517.20.

21           17.     Respondents' anticipated profits required they would place and sell the product in  
22 tens of thousands of stores operated by major hardware and auto parts companies, when they had not  
23 sold a single item to any company.

24           18.     Respondents' Business Plan states in several places they filed patents on their  
25 products: "The first two Tools are tools which I invented, made prototypes of, and filed patents on";  
26 "[a]fter applying for a provisional patent in 2017 . . ."; and "[a]fter the patent was filed in 2018 . . ."

1 In no place in the Business Plan nor in the Offeree's communications with Respondents did  
2 Respondents provide any sort of description, photograph, or blueprint of the products.

3 19. Upon information and belief, Respondents have not filed any patent applications with  
4 the United States Patent and Trademark Office.

5 20. On October 13, 2020, after reviewing the Business Plan, Offeree emailed the  
6 Respondent and asked what would happen to his investment if Respondent did not find a \$1 million  
7 investor. On October 14, 2020, Respondent replied "The Plan is to get the brochures made and  
8 present them to the Hardware, Auto Parts and Sherwin-Williams to get their orders and payments for  
9 them. . . . Money makes things easier. Your \$50,000.00 plus will come from the first sales to the  
10 Buyers." When the Offeree asked what would happen to his investment in the event no stores place  
11 any orders, Respondent replied "I can send you pictures of the Tape Thing after you sign my  
12 Company NDA and send it back."

13 21. Respondents failed to disclose to Offeree the risk associated with the investment or  
14 what would happen to Offeree's investment if the venture is not fully funded.

15 22. In addition to the Craigslist advertisements, on or about August 27, 2020, Harris  
16 posted an article on LinkedIn, an online social networking website, titled "Investment Partner  
17 needed." The ad stated in part, "I am looking for an investment of one million dollars and I need a  
18 team, or a Partner who can either bring that into the Partnership or know how to bring it in through  
19 an associate."

20 **IV.**

21 **VIOLATION OF A.R.S. § 44-1841**

22 **(Offer and Sale of Unregistered Securities)**

23 23. From on or about August 27, 2020, Respondents have been offering or selling  
24 securities in the form of investment contracts, within or from Arizona.

25 24. The securities referred to above are not registered pursuant to Articles 6 or 7 of the  
26 Securities Act.

25. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers or Salesmen)**

26. Respondents are offering or selling securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

27. This conduct violates A.R.S. § 44-1842.

## VI.

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Securities)**

28. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Respondents misrepresented to Offeree their products are patent pending.

b) Respondents misrepresented to Offeree the projected profits as the calculations are not supported by a reasonable basis.

c) Respondents failed to disclose to Offeree the risk associated with the investment or what would happen to Offeree's investment if the venture is not fully funded.

29. This conduct violates A.R.S. § 44-1991.

VII.

**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

30. From at least March 14, 2013 through at least October 8, 2020, Harris has held himself out as the sole Member of Don's Painter Stuff.

31. From at least March 14, 2013 through at least October 20, 2020, Harris directly or indirectly controlled Don's Painter Stuff within the meaning of A.R.S. § 44-1999. Therefore, Harris is jointly and severally liable to the same extent as Don's Painter Stuff for its violations of A.R.S. § 44-1991 from at least March 14, 2013 through at least October 20, 2020.

### VIII.

#### TEMPORARY ORDER

##### Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

IT IS FURTHER ORDERED that if a request for hearing is made, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered unless otherwise ordered by the Commission.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

### IX.

#### REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order any other relief that the Commission deems appropriate.

**X.**

## HEARING OPPORTUNITY

Each Respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or Respondent Spouse requests a hearing, the requesting Respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. The requesting Respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet website at <http://www.azcc.gov/hearing>.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered.** After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties, or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties, or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,



1 ADA Coordinator, voice phone number (602) 542-3931, e-mail [cdbuck@azcc.gov](mailto:cdbuck@azcc.gov). Requests should  
2 be made as early as possible to allow time to arrange the accommodation.

3 **XI.**

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,  
6 the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to  
7 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,  
8 within 30 calendar days after the date of service of this Temporary Order and Notice. Filing  
9 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
10 Commission's Internet web site at <http://www.azcc.gov/hearing>.

11 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant  
12 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
13 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
14 addressed to Elizabeth Schmitt.

15 The Answer shall contain an admission or denial of each allegation in this Temporary Order  
16 and Notice and the original signature of the answering respondent or the respondent's attorney. A  
17 statement of a lack of sufficient knowledge or information shall be considered a denial of an  
18 allegation. An allegation not denied shall be considered admitted.

19 When the answering Respondent intends in good faith to deny only a part or a qualification  
20 of an allegation, the respondent shall specify that part or qualification of the allegation and shall  
21 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

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23 //

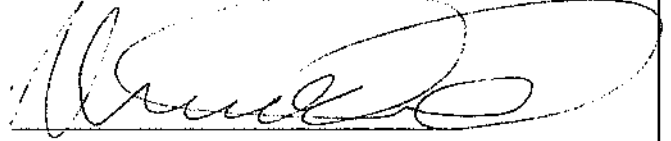
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1 The officer presiding over the hearing may grant relief from the requirement to file an  
2 Answer for good cause shown.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 20<sup>th</sup> day of October  
4 2020.

A handwritten signature in black ink, appearing to read "Mark Dinell", is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval.

5  
6 Mark Dinell  
Director of Securities